

REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS WWW.KYAUDITOR.NET

144 CAPITOL ANNEX FRANKFORT, KY 40601 TELE. (502) 564-5841 FAX (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Carroll County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$87,992 from the prior fiscal year, resulting in a cash surplus of \$1,328,782 as of June 30, 2000. Revenues increased by \$270,382 from the prior year and disbursements increased by \$806,089.

Debt Obligations:

Total bonded debt principal as of June 30, 2000 was \$ 1,190,000. Future collections of \$ 1,759,196 are needed over the next 13 years to pay all bonded debt principal and interest.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

COMPENIE	PAGE
CONTENTS	PAGE

INDEPENDENT AUDITOR'S REPORT	1
CARROLL COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	. 10
Notes To Financial Statements	. 12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	19
SCHEDULE OF OPERATING REVENUE	. 23
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	31
APPENDIX A:	

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Carroll County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, <u>Government Auditing Standards</u> issued by the Comptroller General of the United States, and the <u>Audit Guide for Fiscal Court Audits</u> issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000, of Carroll County, Kentucky, and the revenues received and the expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated May 31, 2001 on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carroll County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - May 31, 2001

CARROLL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Gene McMurry County Judge/Executive

John Proctor Magistrate
Dean Miller Magistrate
Ira Louden Magistrate

Other Elected Officials:

James Monk County Attorney

Mike Humphrey Jailer

Marketta Brock County Clerk

William Wheeler Circuit Court Clerk

Charles Maiden, Jr. Sheriff

David Robertson Property Valuation Administrator

Jim Dunn Coroner

Appointed Personnel:

Debra Cayton County Treasurer

Chanda Cain Occupational Tax Administrator

Debra Cayton Payroll Officer
Ray Smith Road Supervisor
Seldon Scott 911 Administrator

Phyllis Franklin Jail Administrative Assistant



STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CARROLL COUNTY STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resor	urces
------------------------	-------

Assets

General Fund Type

General Fund:

Cash \$ 489,776

Road and Bridge Fund:

Cash 205,295

Jail Fund:

Cash 317,585

Local Government Economic Assistance Fund:

Cash 51,357

Ambulance Fund:

Cash 9,999

Solid Waste Fund:

Cash 4,481

E911 Fund:

Cash

August Developed Section Assessed Cash

Payroll Revolving Account - Cash 1,657

<u>Debt Service Fund Type</u>

Public Properties Corporation Fund:

Cash 210,082

Other Resources

<u>Debt Service Fund Type</u>

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments 979,918

Total Assets and Other Resources \$ 2,310,357

CARROLL COUNTY STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS June 30, 2000 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

Payroll Revolving Account \$ 1,657

Debt Service Fund Type

Public Properties Corporation Fund:

Bond Principal Not Matured (Note 4) 1,190,000

Fund Balances

<u>Unreserved:</u>

General Fund Type

General Fund	489,776
Road and Bridge Fund	205,295
Jail Fund	317,585
Local Government Economic Assistance Fund	51,357
Ambulance Fund	9,999
Solid Waste Fund	4,481
E911 Fund	40,207
Total Liabilities and Fund Balances	\$ 2,310,357



STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CARROLL COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

			 G	ener	al Fund Type	es	
		Totals		Ī.	Road and		
	(M	emorandum	General	Г	Bridge		
Cash Receipts	(111	Only)	Fund		Fund	ī	ail Fund
<u>cush receipts</u>		Omy)	 Tuna		Turia		un i una
Schedule of Operating Revenue Kentucky Advanced Revenue Program	\$	4,334,182 831,590	\$ 2,005,905 831,590	\$	523,902	\$	998,442
Total Cash Receipts	\$	5,165,772	\$ 2,837,495	\$	523,902	\$	998,442
<u>Cash Disbursements</u>							
Comparative Schedule of Final Budget and Budgeted Expenditures Bonds: Principal Paid	\$	4,289,267 55,000	\$ 1,625,831	\$	571,349	\$	924,403
Interest Paid Kentucky Advanced Revenue Program Repaid		69,700 831,590	831,590				
Total Cash Disbursements	\$	5,245,557	\$ 2,457,421	\$	571,349	\$	924,403
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	(79,785)	\$ 380,074	\$	(47,447)	\$	74,039
Other Financing Sources (Uses)							
Operating Transfers In Operating Transfers Out		816,166 (816,166)	170,963 (645,203)		158,591 (116,805)		43,959 (54,158)
Total Other Financing Sources (Uses)	\$		\$ (474,240)	\$	41,786	\$	(10,199)
Cash Balance - July 1, 1999		1,408,567	 583,942		210,956		253,745
Cash Balance - June 30, 2000	\$	1,328,782	\$ 489,776	\$	205,295	\$	317,585

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES Fiscal Year Ended June 30, 2000 (Continued)

			General F	und '	Гуреs		F	Special Revenue and Type		bt Service and Type
Gov Ec As	Local wernment conomic sistance Fund	A	mbulance Fund	So	olid Waste Fund	 E911 Fund		State Grant Fund	Co Jail l	Public roperties orporation Bond Fund- 93 Series
\$	64,340	\$	245,446	\$	2,044	\$ 74,391	\$	286,805	\$	132,907
\$	64,340	\$	245,446	\$	2,044	\$ 74,391	\$	286,805	\$	132,907
\$	67,004	\$	548,786	\$	128,480	\$ 114,151	\$	309,263	\$	55,000 69,700
\$	67,004	\$	548,786	\$	128,480	\$ 114,151	\$	309,263	\$	124,700
\$	(2,664)	\$	(303,340)	\$	(126,436)	\$ (39,760)	\$	(22,458)	\$	8,207
			311,961		130,692					
\$		\$	311,961	\$	130,692	\$	\$		\$	
	54,021		1,378		225	 79,967		22,458		201,875
\$	51,357	\$	9,999	\$	4,481	\$ 40,207	\$	0	\$	210,082

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Carroll County Public Properties Corporation as part of the reporting entity.

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carroll County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carroll County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Ambulance Fund, Solid Waste Fund, and the E911 Fund

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The State Grant Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the Administrative Office of the Courts in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Carroll County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1 of each year.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually by the Administrative Office of the Courts. The Department for Local Government does not require this fund to be budgeted.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 31, 1999 and June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the financial institution's agent in the county's name.

Note 4. Long-Term Debt

Bonds outstanding of the Carroll County Public Properties Corporation are:

Debt Service Schedule

Due Date During							
Fiscal Year		S	cheduled	Principal	Total		
Ended June 30:	Interest Rate	1	Interest	Amount	1	Payments	
2001	5.10	\$	66,950	\$ 60,000	\$	126,950	
2002	5.25		63,890	60,000		123,890	
2003	5.30		60,740	65,000		125,740	
2004	5.40		57,295	70,000		127,295	
2005	5.40		53,515	75,000		128,515	
2006	5.60		49,465	75,000		124,465	
2007	5.70		45,265	80,000		125,265	
2008	5.75		40,705	85,000		125,705	
2009	5.75		35,818	90,000		125,818	
2010	5.75		30,643	95,000		125,643	
2011	5.75		25,180	100,000		125,180	
2012	5.80		19,430	105,000		124,430	
2013	5.80		13,340	110,000		123,340	
2014	5.80		6,960	 120,000		126,960	
						_	
Totals		\$	569,196	\$ 1,190,000	\$	1,759,196	

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

			June 30, 2000
	Monthly	Maturity	Outstanding
Description	Payment	Date	Principal
Backhoe Loader	\$959	12/15/2002	\$26,405

Note 6. Insurance

For the fiscal year ended June 30, 2000, Carroll County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Carroll County Jail Canteen Fund had deposits of \$ 170,342, disbursements of \$ 194,492, leaving ending balance of \$ 15,987 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE

CARROLL COUNTY COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Budgeted Funds	Budgeted Operating Revenue		Actual Operating Revenue		Over (Under) Budget	
General Fund Type						
General Fund Road and Bridge Fund Jail Fund Local Government Economic Assistance Fund Ambulance Fund Solid Waste Fund E911 Fund	\$	2,362,080 517,915 749,044 20,610 568,682 131,318 79,434	\$	2,005,905 523,902 998,442 64,340 245,446 2,044 74,391	\$	(356,175) 5,987 249,398 43,730 (323,236) (129,274) (5,043)
Special Revenue Fund Type						
State Grant Fund		286,805		286,805		
Totals	\$	4,715,888	\$	4,201,275	\$	(514,613)
Reconciliation						
Total Budgeted Operating Revenue Above Add: Budgeted Prior Year Surplus					\$	4,715,888 1,206,849
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures					\$	5,922,737



SCHEDULE OF OPERATING REVENUE

CARROLL COUNTY SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND CATEGORY

	Totals (Memorandum Only)		General Fund Type		Special Revenue Fund Type		Debt Service Fund Type	
REVENUE:								
Taxes	\$	1,806,007	\$	1,806,007	\$		\$	
Excess Fees		83,053		83,053				
Intergovernmental Revenues		1,453,193		1,453,193				
Charges for Services		341,389		341,389				
Miscellaneous Revenues		561,012		150,493		286,805		123,714
Interest Earned		89,528		80,335				9,193
Total Operating Revenue	\$	4,334,182	\$	3,914,470	\$	286,805	\$	132,907



COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES

CARROLL COUNTY COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

	GENERAL FUND TYPE					
Expenditure Categories	Final Budget			Budgeted spenditures	Under (Over) Budget	
General Government Protection to Persons and Property General Health and Sanitation Social Services Recreation and Culture Roads Bus Service Capital Projects Administration	\$	534,114 1,866,235 223,539 83,641 266,136 542,883 6,000 10,000 1,190,926	\$	484,322 1,695,967 218,205 61,670 261,678 479,592 5,500 10,000 763,070	\$	49,792 170,268 5,334 21,971 4,458 63,291 500
Total Operating Budget - All General Fund Types Other Financing Uses: Kentucky Advanced Revenue Program Principal	\$	4,723,474	\$	3,980,004	\$	743,470 58,410
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$	5,613,474	\$ L REV	4,811,594 VENUE FUN	\$ ND T	801,880
General Government Capital Projects	\$	284,263 25,000	\$	284,263 25,000	\$	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$	309,263	\$	309,263	\$	0



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Carroll County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 31, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards (Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - May 31, 2001

CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARROLL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARROLL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes

Gene McMurry

County Judge/Executive

Debra Cayton County Treasurer